

December 2, 2005

Ms. Karen Hill
Air Quality Planning and Implementation Division
Texas Commission on Environmental Quality
MC - 206
P. O. Box 13087
Austin, Texas 78711

Re: Comments Regarding the East Texas Electric Generating Facility Rules (Rule Log No. 2006-002-117-EN)

Dear Ms. Hill:

This letter is submitted on behalf of the Texas Mining and Reclamation Association ("TMRA") to provide comments and recommendations regarding TCEQ's contemplated emissions reductions from East Texas Electric Generating Facilities. TMRA appreciates the opportunity to file written comments regarding this matter.

TMRA supports the letters of other organizations opposed to reducing the NO_x emission limits in Chapter 117, including the letters of the Association of Electric Companies of Texas (AECT) and the Gulf Coast Lignite Coalition (GCLC). Briefly, TMRA reminds Staff that AECT demonstrated the weak or non-existent nexus between EGU NO_x emissions and the Dallas/Fort Worth State Implementation Plan, and both AECT and the GCLC explained the technical infeasibility for further reducing NO_x emissions from EGUs, especially lignite-fired EGUs. TMRA also suggests that Staff give serious consideration to the GCLC documentation of the importance of the lignite mining and lignite-fired generation industries to Texas. TMRA's own analysis supports the GCLC's data, as well as their concern that the contemplated additional emissions reductions will drive continuing and potentially disastrous economic impact in Texas, especially east Texas. .

Introduction

TMRA is a state organization comprised of approximately 100 mining, electric utility, and equipment supply companies that conduct business in Texas. TMRA supports coordinated, rational, and consistent federal, state, and local policies to assure proper economic recovery of the state's minable resources in an environmentally sound manner.

TMRA's members play a vital role in Texas' economy. Mining provides approximately \$30 billion annually to our state and accounts for more than 50 percent of the local tax base for a number of our state's rural communities. The Texas lignite mining industry alone spends in excess of \$100 million each year on land reclamation and protection of water and air quality and

archeological resources, and reclaims land for cattle grazing, crops, commercial timber, wildlife habitat, wetlands, recreational use, and plants more than two million trees annually on reclaimed mine land. TMRA Members have a strong environmental ethic and have received numerous state and national awards for their environmental programs.

Comments

1. Coal and Texas lignite must remain a viable fuel source for generating electricity.

Efficient and affordable electricity is critically important to the Texas and United States economies. Coal-fired EGUs play the lead role in satisfying the demand for such electricity. TCEQ has not begun to consider the severe economic impacts that would be realized should they impose such unreasonable NO_x emission limits on East Texas EGUs. For example, the Energy Information Administration (EIA) notes that electricity consumption is growing strongly and will increase 54 percent by 2025. EGUs fired with Texas-mined coal protect consumers from contingencies such as fuel unavailability, price fluctuations, and changes in regulatory practices. In response to the urgent need for more diverse, reliable, and affordable electric generation, the Governor issued Executive Order No. RP49 (October 27, 2005), which directs the Commission in the following manner:

Diversity of Energy Supply. In order to encourage diversity of energy supply, the Texas Commission on Environmental Quality ("Commission") shall apply the full resources of the agency to prioritize and expedite the processing of environmental permit applications that are protective of the public health and environment and propose to use Texas natural resources to generate electrical power.

As recognized by Ex. Order RP49, every fuel source used to generate electricity is confronted with regulatory challenges, but none more so than coal. Coal-based electric generators face emissions control requirements that are duplicative, contradictory, costly, and complex, and create enormous uncertainty for future investment. More than a dozen separate regulations for SO₂ and NO_x exist, and new federal rules¹ are coming on line that require additional reductions, so it is excessive for TCEQ to propose the contemplate additional restrictions and accelerated timeline.

2. Coal's contribution to fuel diversity and affordability is particularly important considering the recent and continuing volatility and unprecedented high price of natural gas.

If TCEQ reduced the NO_x emission limits, Texas Coal would be removed from the marketplace and fuel diversity would decrease. Note the following:

- Coal, including lignite, accounts for almost 40% of all electricity generated in Texas, and Texas-mined lignite alone provides 25% of the electricity generated in Texas each year.

¹ The Clean Air Interstate Rule, May 12, 2005, 70 FR 25162.

- Texas produces 83% more electricity than any other state. Texas is the largest coal consumer in the nation, and is the 5th largest coal producer in the nation (44.7 million tons in 2002).
- Approximately 66% of the nation's lignite is mined in Texas, which has the largest reserve of lignite in the U.S. -- at 9.95 billion tons. These reserves represent 200 years of supply at current production and use rates.
- The abundance of lignite, and the significant amount of energy that it represents, render it an essential domestic fuel source that effectively serves to minimize the United States' dependence on imported fuel.

3. Lignite mining and production is critically important to the Texas economy.

Lignite mining is important for Texas and the nation in a number of respects, including the ability to maintain energy independence, diversity, and reliability. Texas lignite production contributes about \$17 billion annually in direct and indirect benefits to the Texas economy. As of 1999, TMRA estimates that lignite mining provides 8,000 jobs directly and 100,000 jobs indirectly.² Staff should also give careful consideration to the Perryman Study that is discussed in and attached to the GCLC comment. The Perryman Report documents, for example, that lignite mining and electrical generation activities are directly responsible for creating as much as \$0.741 billion in personal income and as many as 11,195 permanent jobs.³

Many of economic benefits associated with TMRA activities accrue to Texas' rural areas where lignite contributes a significant portion of the economic activity. Some rural Texas counties with lignite mining and power generation facilities depend on these operations for more than 50% of their tax revenue. Two good examples are Rusk and Freestone Counties, where coal mining and associated electric power generation comprise as much as 48.2% and 72.2% of export-oriented business activity.⁴

Affordable electricity facilitates additional job creation by enhancing the competitiveness of domestic goods, including goods produced by Texas companies. Given that lignite plays a critical role in Texas' energy supply, its loss as a viable fuel would result in significant negative economic impacts for Texas. To fully appreciate the gravity and far reaching actions of their decision, TCEQ must complete a robust fiscal impact analysis prior to any proposed revisions to the existing NOx limits in Chapter 117. In fact, TMRA suggests that the calculated economic impacts are likely to be so great that the TCEQ should first estimate the magnitude of that impact before it consumes any more resources developing a rulemaking that would ultimately impose the contemplated reductions.

² Texas Mining and Reclamation Association study conducted in 1999.

³ M. Ray Perryman, PhD, *The Impact of Coal Mining and Coal-Fired Electric Generation Activity on Texas and the East Texas Region*, The Perryman Group (April 2004).

⁴ *Id.*

Conclusion

To maintain its economic growth and meet the existing and expected electrical demands of her citizens, Texas must continue to utilize lignite for many decades to come. TCEQ's imposition of additional NOx emission limits on EGUs will significantly and permanently impair the State's ability to enjoy the benefits of this valuable Texas resource and the economic benefits and security that flow from it.

TMRA appreciates the opportunity to state the position of its members on this matter, and is available to address Staff's questions or comments.

Sincerely,

Stephen F. Smith
Executive Director

CC: See Attached List

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